

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: September 27, 2010

PERSONNEL LETTER #10-022
(Civil Service Only)

TO: All Agencies in the Uniform State Payroll System

FROM: Lisa Crowe, Chief
Personnel/Payroll Services Division

RE: **NEW RETIREMENT ACCOUNT CODES FOR RANK AND FILE EMPLOYEES IN
BARGAINING UNITS 8, 12, 16, 18, AND 19**

The State Controller's Office (SCO) was notified by the Department of Personnel Administration (DPA) of collective bargaining agreements that modifies the employee retirement contributions, the retirement final compensation criteria and the retirement benefit formula for all rank and file employees in bargaining units 8, 12, 16, 18 and 19. Specifically, current CalPERS and Alternate Retirement Program (ARP) members in the units are subject to a higher employee retirement contribution rate. Further, employees first hired on or after September 1, 2010 in units 12, 16, 18 or 19 and employees first hired on or after October 31, 2010 in unit 8 are subject to the higher employee retirement contributions and new retirement benefit formulas based on the highest average salary during a 36-month consecutive period. New retirement account codes are required for CalPERS to specifically identify employees subject to the new retirement formulas. Also, the on-line IDLS and Paycheck calculators have been updated to reflect the new retirement contribution rates.

Safety Employees First Hired On or After September 1, 2010 in Bargaining Units 12, 16, 18 and 19

All rank and file employees first hired with no prior state service on or after September 1, 2010 in a unit 12, 16, 18 or 19 safety retirement position should be placed in one of the retirement account codes listed below. Agencies are responsible for entering the appropriate retirement account code on the respective appointment transactions.

| Account Code | Employee Contribution Rate | Exclusion Amount | Benefit Formula | Final Compensation |
|------------------------------|----------------------------|------------------|-----------------|--------------------|
| 1K (Subject to Medicare) | 11% | \$317 | 2% @ 55 | 3 years |
| 1L (Not Subject to Medicare) | 11% | \$317 | 2% @ 55 | 3 years |

Miscellaneous/Industrial Employees First Hired On or After September 1, 2010 in Bargaining Units 12, 16, 18 and 19 or First Hired On or After October 31, 2010 in Bargaining Unit 8

All rank and file employees first hired with no prior state service on or after September 1, 2010 in a unit 12, 16, 18 or 19 miscellaneous or industrial retirement position, or on or after October 31, 2010 in a unit 8 miscellaneous retirement position should be placed in one of the ARP account codes identified below. Once the employees complete 24 months of ARP participation, SCO will convert the employees from ARP to the respective CalPERS account codes (4W, 9M, 2L, 2G) listed below. Also,

agencies must use these CalPERS account codes if the above newly hired employee has prior non-State CalPERS service (i.e., County of Sacramento). To determine ARP eligibility and the correct ARP account code for newly hired employees, use DPA's ARP Eligibility Worksheet located at www.dpa.ca.gov under the HR Staff tab.

| Account Code (ARP) | Employee Contribution Rate | Exclusion Amount | Benefit Formula | Final Compensation |
|---|-----------------------------------|-------------------------|------------------------|---------------------------|
| AB (Miscellaneous) | 10% | \$513 | 2% @ 60 | 3 years |
| AN (Industrial) | 10% | \$513 | 2% @ 60 | 3 years |
| AH (Miscellaneous – BU 12 CalTRANS) | 10% | \$513 | 2% @ 60 | 3 years |
| AF (Miscellaneous – BU 18 Porterville, Sierra Vista & Canyon Springs) | 10% | \$513 | 2% @ 60 | 3 years |
| Account Code (CalPERS) | | | | |
| 4W (Miscellaneous) | 10% | \$513 | 2% @ 60 | 3 years |
| 9M (Industrial) | 10% | \$513 | 2% @ 60 | 3 years |
| 2L (Miscellaneous – BU 12 CalTRANS) | 10% | \$513 | 2% @ 60 | 3 years |
| 2G (Miscellaneous – BU 18 Porterville, Sierra Vista & Canyon Springs) | 10% | \$513 | 2% @ 60 | 3 years |

Peace Officer/Firefighter (POFF) Employees First Hired On or After October 31, 2010 in Bargaining Unit 8

All rank and file employees first hired with no prior state service on or after October 31, 2010 in a unit 8 POFF position should be placed in one of the retirement account codes listed below. Agencies are responsible for entering the appropriate retirement account code on the respective appointment transactions.

| Account Code | Rate | Exclusion Amount | Benefit Formula | Final Comp |
|------------------------------|-------------|-------------------------|------------------------|-------------------|
| 3E (Not Subject to Medicare) | 10% | \$238 | 3% @ 55 | 3 years |
| 3F (Subject to Medicare) | 10% | \$238 | 3% @ 55 | 3 years |

Current CalPERS and ARP Members in Bargaining Units 8, 12, 16, 18 and 19

SCO ran an employment history mass update on September 3, 2010 to increase employee retirement contribution rates effective September 1, 2010 for rank and file employees in units 8, 12, 16, 18 and 19 (see Personnel Letter #10-020). Subsequently, DPA corrected the effective date for unit 8 POFF employees from September 1, 2010 to October 1, 2010. As such, SCO processed an eliminate action to the 505 transaction (i.e., 505E transaction) that resulted from the mass update to change the unit 8 POFF employee retirement contribution rate back to 6%. A new employment history mass update will occur in early October 2010 to increase the retirement contribution rate to 10% effective October 1, 2010.

According to DPA, the employee's retirement formula and final compensation is based on the employee's original hire date and the employee's retirement contribution rate is based on her/his bargaining unit agreement. Consequently, employees first hired prior to September 1, 2010 in units 8 (miscellaneous), 12, 16, 18 or 19, or prior to October 1, 2010 in unit 8 POFF positions should be placed in one of the old account codes listed below. Subsequently, a 505 transaction effective 09/01/2010 for employees in units 8 (miscellaneous), 12, 16, 18 or 19, or a 505 transaction effective 10/01/2010 for employees in unit 8 POFF positions should be processed to change the account code to the corresponding new account code identified below. This transaction will increase the employee contribution rate while maintaining the employee's benefit formula and final compensation.

| Retirement Category | Old Account Code | New Account Code | New Rate | Benefit Formula | Final Compensation |
|----------------------------|-------------------------|-------------------------|-----------------|------------------------|---------------------------|
| Miscellaneous | 40 | 2A | 11% | 2% @ 55 | 1 year |
| | 42 | 2B | 11% | 2% @ 55 | 1 year |
| | 45 | 2C | 10% | 2% @ 55 | 1 year |
| | 4B | 2D | 10% | 2% @ 55 | 1 year |
| | 4L | 2E | 10% | 2% @ 55 | 3 years |
| | 4P | 2F | 10% | 2% @ 55 | 3 years |
| | 4T | 2H | 10% | 2% @ 55 | 1 year |
| | 4X | 2J | 10% | 2% @ 55 | 3 years |
| Industrial | 46 | 9E | 11% | 2% @ 55 | 1 year |
| | 48 | 9F | 11% | 2% @ 55 | 1 year |
| | 49 | 9G | 10% | 2% @ 55 | 1 year |
| | 9C | 9L | 10% | 2% @ 55 | 3 years |
| Safety | 10 | 1B | 11% | 2% @ 55 | 1 year |
| | 12 | 1C | 11% | 2% @ 55 | 1 year |
| | 19 | 1D | 11% | 2.5% @ 55 | 1 year |
| | 30 | 1E | 11% | 2.5% @ 55 | 1 year |
| | 6P | 1F | 11% | 2.5% @ 55 | 3 years |
| | 6R | 1G | 11% | 2.5% @ 55 | 3 years |
| POFF | 3A | No Change | 10% | 3% @ 50 | 1 year |
| | 3B | No Change | 10% | 3% @ 50 | 1 year |
| ARP | TJ | AA | 10% | 2% @ 55 | 3 years |
| | TL | AE | 10% | 2% @ 55 | 3 years |
| | TN | AG | 10% | 2% @ 55 | 1 year |
| | TS | AM | 10% | 2% @ 55 | 3 years |
| | TZ | AO | 10% | 2% @ 55 | 3 years |
| | TK | AC* | 10% | 2% @ 55 | 1 year |
| | TP | AI* | 10% | 2% @ 55 | 1 year |
| | TR | AK* | 10% | 2% @ 55 | 1 year |

*Based on the above clarification from DPA on the use of the employee's first hire date to determine the retirement formula and final compensation criteria, some employees were placed in ARP account codes reflecting a 3 year final compensation and should be in account codes reflecting a 1 year final compensation. As a result, SCO recently established three new ARP account codes (AC, AI, and AK) to reflect a 1 year final compensation. SCO will review respective employee records and process the appropriate employment history transactions to correct the ARP account codes to reflect the appropriate final compensation.

Contacts

For employment history PAR documentation assistance, contact SCO's Personnel Liaison Unit at (916) 322-6500. Questions regarding CalPERS eligibility and benefits should be directed to CalPERS at (888) 225-7377 while questions regarding ARP eligibility should be directed to the ARP Employer line at (916) 324-2909. For retirement policy and legislation assistance, contact DPA representative Desi Rodrigues at (916) 324-9400.

Revisions to the Payroll Procedures Manual and Personnel Action Manual to reflect the new retirement account codes are forthcoming.

LS:PMAB:DW